OFFICE OF THE GOVERNOR

June 8, 2005

The Honorable Pete V. Domenici
Chairman
Subcommittee on Energy and Water Development
Committee on Appropriations
United States Senate
Washington, DC 20510

The Honorable Harry Reid
Ranking Member
Subcommittee on Energy and Water Development
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Chairman Domenici and Senator Reid,

As you prepare to mark up the Fiscal Year 2006 appropriations bill for Energy and Water Development, I am writing to urge funding for programs critical to California's natural environment, energy alternatives, and commerce. I also urge you to provide funding that will keep the completion of the National Ignition Facility on schedule.

California Bay-Delta Program (CALFED)

While the President's budget request signals a renewed commitment to the California Bay-Delta Program (CALFED) consistent with the federal authorization enacted last fall, it represents a bare minimum of needed funding. To make CALFED a truly successful partnership between the State and the Federal government, additional funding is required to address our highest priority projects. To meet these needs, I strongly urge you to increase the FY 2006 funding in select CALFED programs (see attachment outlining specific enhancements) to 100 million dollars. I appreciate the difficulty you face in meeting this request, but any funding above the President's request can be utilized immediately and will help maintain a balanced approach to the components of the CALFED program.

CALFED continues to play an important role in meeting California's future water needs. CALFED must be a part of the long-term water resource investment strategy for the State and for the Federal government. A major benefit of the CALFED program has been a reduction in conflict and an increase in certainty regarding program implementation and balance. The cooperation that led to the successful reauthorization of CALFED requires a balance in project selection that is dependent upon the funding schedule outlined in the legislation for water storage, quality and environmental stewardship.

Hydrogen Fuel Initiative

I support full funding for the President's request for the Hydrogen Fuel Initiative. The proposed funding for this Initiative compliments many of the components of the hydrogen initiative I have proposed for the State of California. The Federal initiative funds numerous activities in research and development that will have important and long-lasting benefits to the entire nation. Activities that include: research and development of hydrogen fuel cells and hydrogen production, storage, distribution and infrastructure technologies and the FreedomCAR program which aims to develop hybrid vehicle technologies needed to enable the mass production of affordable, practical hydrogen powered fuel cell vehicles. Financial support of these activities is important now, if hydrogen is to be a real alternative source of energy in the future.

Ports, Waterways and Flood Control

In 2003, California handled 43 percent of the nation's international containerized maritime trade, creating more than two million jobs nationwide and adding over $97 billion to the economies of the other 49 states. A large volume of national commerce depends on California's ports and waterways. The safe and efficient operation of these ports is dependent upon support from Congress. The U.S. Army Corps of Engineers' and the Bureau of Reclamation's programs play a key role in California, impacting goods movements along our ports and waterways and, importantly, helping mitigate the environmental impact of this large volume of trade. These federal agencies provide, preserve or restore water resources within the State, and share with us the important task of building and maintaining flood control projects that protect our citizens and communities. Continued congressional support for these activities is vital to the well-being of our state Californians, to the economic well-being of the nation and for the stewardship of the natural resources within the State.

I urge you to work with California's senators to address these critical needs within the framework of the funding you have available.

National Ignition Facility

We urge Congress to support the President's request for 338 million dollars for the National Ignition Facility (NIF) at Lawrence Livermore Berkley Laboratory. This level of funding is consistent with the approved project baseline and would realign project priorities to meet the ignition goal of 2010. In addition to the benefits of this research, NIF currently provides more than 10,000 skilled scientific and technical jobs in California.

Thank you for your consideration of California's appropriations request for the FY 2006 Energy and Water Development and Related Agencies appropriations bill.

Sincerely,

Arnold Schwarzenegger

Attachments

cc: The Honorable Thad Cochran
The Honorable Robert C. Byrd
The Honorable Dianne Feinstein
The Honorable Barbara Boxer

FY 2006 CALFED Appropriations Priorities

Agency: Bureau of Reclamation

Project/Study Name: Upper San Joaquin River Basin Storage Investigation

FY 2004 Funding Level: $1.312 million

FY 2005 Funding Level: $1.0 million

Amount in President's FY 2006 Budget: $2.5 million

State FY2006 Funding Request: $4.1 million (1.6 million increase)

New Study or Construction Start: No

Authorization (P.L. # and section): California Water Security and Environmental Enhancement Act, P.L. 108-361, Sections 103(c)(1) and 103 (d)(1)

Explanation/Justification of Request: A feasibility study of the potential benefits from increased surface storage in the Upper San Joaquin River basin is one of the five surface storage studies described in the CALFED Record of Decision. Additional surface storage in the Upper San Joaquin River basin could contribute to restoration of and improved water quality for the San Joaquin River, and facilitate conjunctive water management and water exchanges that improve the quality of water deliveries to urban communities. New supplies could come from increasing surface storage capacity at Millerton Lake or from a functionally equivalent storage program in the region. Currently, the federal interest has focused on evaluating surface storage opportunities in the basin. Additional federal funding in FY06 would ensure the investigation included a comprehensive evaluation of surface and groundwater conjunctive management opportunities in the basin. This comprehensive evaluation is needed to address issues raised by stakeholder interests in the alternatives analyses and plan formulation stage. Total remaining costs to complete planning for this project are $11.7 million. The expected state share is $2.2 million, and the federal share is $9.5 million.

FY 2006 CALFED Appropriations Priorities

Agency: Bureau of Reclamation

Project/Study Name: Battle Creek Salmon and Steelhead Restoration Project

FY 2004 Funding Level: 0

FY 2005 Funding Level: 0

Amount in President's FY 2006 Budget: Potentially $4.0 million (currently described as "Ecosystem Restoration, Project to be identified")

State FY2006 Funding Request: $15 million ($11.0 million increase)

New Study or Construction Start: No

Authorization (P.L. # and section): California Water Security and Environmental Enhancement, PL 108-361, Section 103(c)(1) and 103(d)(6)

Explanation/Justification of Request: The primary goal of the Battle Creek Salmon and Steelhead Restoration Project is to restore and enhance approximately 42-miles of winter and spring run Chinook salmon and steelhead habitat in Battle Creek and an additional 6 miles in its tributaries while minimizing the loss of renewable energy produced by the PG&E Battle Creek Hydroelectric Project. This project has broad support from local stakeholder interests, and is widely considered to be one of the highest priority projects for the CALFED Ecosystem Restoration Program in the Bay-Delta watershed.

In recognition of the significance of Battle Creek for the restoration of winter and spring Chinook salmon, and steelhead (all listed species affected by State Water Project and federal Central Valley Project operations), California Department of Fish and Game, US Fish and Wildlife Service, NOAA Fisheries, the US Bureau of Reclamation, and PG&E signed a Memorandum of Understanding in 1999 that defined their roles and made commitments regarding costs for and implementation of the Restoration Project. Components of the Restoration Project include removal of 5 diversion dams, laddering 3 diversion dams and screening their associated diversions, and increasing flows from all remaining diversion dams affecting salmon and steelhead.

The Restoration Project was initially funded through the CALFED Ecosystem Restoration Program early implementation efforts for $28 million from federal Bay-Delta Act funds (Bureau of Reclamation). The current estimate for additional funds is approximately $60 million. The Final EIS/R is expected to be complete in July 2005.

Battle Creek is one of the best opportunities in the Central Valley to restore winter and spring run Chinook salmon and steelhead to cold-water, high-elevation habitats. Currently, winter run salmon spawn only in the mainstem of the Sacramento River, the only area these species have managed to survive after the closure of Shasta Dam. The complexity of the Restoration Project requires that PG&E amend their FERC license once the Final EIS/R is complete, and PG&E needs to have the construction funding available before going to FERC. An additional $15 million in federal funds in FY06 would ensure the availability of adequate funding to implement the project, and make the State and federal split of the approximate $90 million in total public costs more equitable.

FY 2006 CALFED Appropriations Priorities

Agency: Army Corps of Engineers

Project/Study Name: Delta Risk Management Strategy

FY 2004 Funding Level: $0

FY 2005 Funding Level: $0

Amount in President's FY 2006 Budget: $0

State FY2006 Funding Request: $3.0 million

New Study or Construction Start: Yes

Authorization (P.L. # and section): California Water Security and Environmental Enhancement Act, P.L. 108-361, Sections 103(e)(4) and 103 (f)(3)(D)(v)

Explanation/Justification of Request: The CALFED Record of Decision calls for a Delta Risk Management Strategy (DRMS) to: (1) quantify the major risks to Delta resources from floods, seepage, subsidence and earthquakes; (2) evaluate the consequences and potential impacts to benefits (e.g. water quality, water conveyance, habitat, agriculture, infrastructure, recreation); and (3) develop risk reduction plans to manage the risk. The need for such a strategy was restated in PL 108-361 which authorizes the completion of a Delta Risk Management Strategy by the United States Army Corps of Engineers (USACE). Unfortunately, no federal money has been appropriated to date for this work. Due to the pressing need for this critical effort, the California Department of Water Resources (DWR) has now initiated this study in conjunction with the California Bay Delta Authority. The evaluation will require two years and approximately $6 million to complete. As one of the implementing agencies for the Levee Integrity Program under the CALFED Record of Decision, the USACE is considered a co-lead for the completion of this ambitious and critical initiative. The State expects the cost of the study to be equally split between State and federal funds. To date, the USACE has not provided any funding. If the USACE cannot provide funding, then the study will be significantly delayed**.**

FY 2006 CALFED Appropriations Priorities

Agency: Bureau of Reclamation

Project/Study Name: Environmental Water Account

FY 2004 Funding Level: $1.107 million

FY 2005 Funding Level: $1 million

Amount in President's FY 2006 Budget: $10 million

State FY2006 Funding Request: $20 million ($10 million increase)

New Study or Construction Start: No

Authorization (P.L. # and section): California Water Security and Environmental Enhancement Act, P.L. 108-361, Sections 103(e)(2) and 103 (f)(2)

Explanation/Justification of Request: The EWA is a cooperative management program whose purpose is to provide protection for at risk fish species of the Bay-Delta estuary through environmentally beneficial changes to the operations of the State Water Project and federal Central Valley Project with no further reduction in project water deliveries (over the regulatory baseline). Since the CALFED Record of Decision was signed, the EWA has been almost entirely funded by the State. The new federal authorization (PL 108 361) fully authorized the EWA.

The projected 2005-06 cost for water, energy, science activities, and program support to achieve EWA program objectives is approximately $43 million. The State has budgeted $18 million for State FY 2005-06. The President's Budget includes $10 million for FY 2006. An additional $10 million of federal funding is required to provide a total of $38 million (State and federal combined). Although short of the annual funding target ($43 million), the additional appropriation will allow program objectives to be achieved at a minimum level. Without a minimum EWA program, water deliveries to State Water Project and Central Valley Project contractors could be at risk.

FY 2006 CALFED Appropriations Priorities

Agency: Army Corps of Engineers

Bill Title (I-IV): Energy and Water Appropriations Bill, Title I.

Program Account Name and sub account if applicable: ACOE General Investigations

Project/Study Name: Hamilton City, California

FY 2004 Funding Level: Conference Report 108-357; U.S. Army Corps of Engineers, General Investigations; $1,500,000 (conference only); FY 2003: Senate Report 107-220; U.S. Army Corps of Engineers, General Investigations; $1,600,000 (Senate only). Neither appropriation was specific to the Hamilton City Project. Both appropriations were for the Comprehensive Study conducted in the Sacramento and San Joaquin Valleys, California. Of the $3,100,000 appropriated, approximately $1,600,000 was spent on the Hamilton City Project. The appropriations were spent on the Feasibility Study.

FY 2005 Funding Level: Nearly $1 million in the Comprehensive Study was appropriated by Congress within the Energy and Water Appropriations Bill. Of this, $528,000 has been allocated to Hamilton City PED for FY 2005.

Amount in President's FY 2006 Budget: 0

State FY2006 Funding Request: $1.5 million

New Study or Construction Start: No

Authorization (P.L. # and section): The project is a General Investigation. The Energy and Water Development Appropriations Act 1998 (PL 105-62) directed the Army Corps of Engineers to conduct a comprehensive, multi-purpose study to reduce flood damages and implement ecosystem restoration in the Sacramento and San Joaquin River Basins. The Comprehensive Study was based on existing study authorizations of the Sacramento River Watershed Management Plan (authorized by the Flood Control Act of 1962) and the San Joaquin River and Tributaries authority (authorized by the 1964 Resolution of the House Committee on Public Works). The Hamilton City area was identified early on as a feasible site to implement a multi-purpose project consistent with the overall objectives of the Comprehensive Study.

Explanation/Justification of Request: The Hamilton City Flood Damage Reduction and Ecosystem Restoration Project Feasibility Study and EIR/EIS was finalized in July 2004, and the project's Chief of Engineer's report was signed in

December 2004, signifying completion of the feasibility phase. The project is presently in the Preconstruction, Engineering and Design (PED) phase. Project construction is scheduled for 2008.

The effort to develop a project to protect the Hamilton City residents and restore the Sacramento River riparian corridor has been led by a broad coalition of local interests, including the Glenn County Board of Supervisors, Hamilton City Citizens in Action, The Nature Conservancy, the Sacramento River Conservation Area Forum, and the Glenn County Farm Bureau. The California Reclamation Board is the nonfederal sponsor. In short, the project will construct a setback levee almost 7 miles long that will increase the capacity of the Sacramento River, restore approximately 1,500 acres of floodplain and riparian habitat, and better protect the Hamilton City community that the existing levee system.

Total costs for the PED phase is $3.1 million. The California Bay-Delta Authority provided all of the nonfederal matching funds to complete PED at their April 2005 meeting through the CALFED Ecosystem Restoration Program. Approximately $1.5 million is required in federal funds during FY06, and an additional $500,000 in FY07 to complete PED. Construction authority via the next WRDA bill will be required to start construction as scheduled in 2008.

FY 2006 CALFED Appropriations Priorities

Agency: Bureau of Reclamation

Project/Study Name: San Luis Low Point Feasibility Study

FY 2004 Funding Level: $0

FY 2005 Funding Level: $0

Amount in President's FY 2006 Budget: $600,000

State FY2006 Funding Request: $4.6 million ($4.0 million increase)

New Study or Construction Start: Yes

Authorization (P.L. # and section): California Water Security and Environmental Enhancement Act, P.L. 108-361, Sections 103(e)(2) and 103 (f)(1)(A)

Explanation/Justification of Request: The San Luis Reservoir is among the largest reservoirs in the state, and all of the federal Central Valley Project (CVP) water supply for CVP contractors in the San Felipe Unit is stored and delivered through it. When water levels in the San Luis Reservoir are low, high water temperatures and wind-induced nutrient mixing can result in algae blooms at the reservoir's water surface, which can be drawn into the San Felipe Unit's intake structure, impacting the quality of their water supplies. If the reservoir is drawn down further, then the intake for the San Felipe project is no longer able to deliver any water which impacts water supply reliability. Alternatives are being evaluated to increase the operational flexibility of storage in San Luis Reservoir and ensure a high quality, reliable water supply for San Felipe Unit contractors. The total cost to complete the feasibility study for this project is estimated to be $10 million, with $5 million from federal funds and $5 million from a non-federal sponsor. The President's Budget includes $0.6 million. An additional $4 million would provide a significant share of the federal funds needed to complete the feasibility study. To date, the studies have been funded primarily by State bonds funds (about $15 million) which are no longer available.

FY 2006 CALFED Appropriations Priorities

Agency: Bureau of Reclamation

Project/Study Name: Sites Reservoir (North-of-the-Delta Offstream Storage)

FY 2004 Funding Level: $1.14 million

FY 2005 Funding Level: $1.0 million

Amount in President's FY 2006 Budget: $0.3 million

State FY2006 Funding Request: $1.2 million ($0.9 million increase)

New Study or Construction Start: No

Authorization (P.L. # and section): California Water Security and Environmental Enhancement Act, P.L. 108-361, Sections 103(c)(1) and 103 (d)(1)

Explanation/Justification of Request: A feasibility study of the benefits from potential new surface storage North of the Delta (i.e., Sites Reservoir) is one of the five surface storage studies described in the CALFED Record of Decision. North-of-the-Delta Off Stream Storage (Sites Reservoir) could provide a broad range of benefits, including improved Delta water quality, water supply reliability, Environmental Water Account assets, and system flexibility that will facilitate improved operation of the federal Central Valley Project and State Water Project systems. Early in this investigation, stakeholders identified the flow regime of the Sacramento River as a primary area of concern related to potential impacts of the project. At the same time, early conceptual formulations were conceived to improve the flow regime of the river to better mimic seasonal variation in the hydrology that could improve ecosystem processes.

The additional federal funds requested will support development of a suite of physical and ecosystem process models to assess both project effects and benefits. These models will also support similar analyses for the Shasta Lake Water Resources Investigation. Total remaining costs to complete planning for this project are $7.3 million. The expected State share is $6.1 million, and the additional federal request of $0.9 million in FY06 would provide the full federal share ($1.2 million) remaining for the planning costs associated with this project.

FY 2006 CALFED Appropriations Priorities

Agency: U.S. Geological Survey

Project/Study Name: Bay-Delta Science Program

FY 2004 Funding Level: $ 0.8 million

FY 2005 Funding Level: $5.69 million

Amount in President's FY 2006 Budget: $5.69 million

State FY2006 Funding Request: $10.69 million ($5.0 million increase)

New Study or Construction Start: No

Authorization (P.L. # and section): California Water Security and Environmental Enhancement Act, P.L. 108-361, Sections 103(c)(1) and 103 (d)(1)

Explanation/Justification of Request:
The San Francisco Bay-Delta is a very dynamic ecosystem which requires a rigorous and accountable science program for a adaptive management program to be successful. Given the particularly challenging status of in-delta fish populations, an increase of $5 million is requested for the Bay-Delta science program activities provided through the U.S. Geological Survey to support high-priority Independent Science Board and other immediate research needs to address stressors on pelagic fish populations.